

WELLINGTON RECREATION COMMISSION

Wellington, Kansas

FINANCIAL STATEMENTS

AND

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

JUNE 30, 2011

WELLINGTON RECREATION COMMISSION

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Wellington Recreation Commission
Wellington, Kansas

We have audited the accompanying financial statements of the individual funds of the Wellington Recreation Commission, Wellington, Kansas, as of and for the year ended June 30, 2011, which collectively comprise the basic financial statements of the Recreation Commission's primary government as listed in the table of contents. These financial statements are the responsibility of the Recreation Commission's management. Our responsibility is to express an opinion on these statutory basis financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note I, the Recreation Commission prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas, Division of Accounts and Reports, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Wellington Recreation Commission, Wellington, Kansas as of June 30, 2010, or changes in financial position for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the individual funds of the Wellington Recreation Commission, Wellington, Kansas, as of June 30, 2011, and its cash receipts and expenditures, for the year then ended on the basis of accounting described in Note I.

Agler & Gaeddert, Chartered

Emporia, Kansas
January 13, 2012

WELLINGTON RECREATION COMMISSION

**SUMMARY OF CASH RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH**

For the Year Ended June 30, 2011

	Beginning Unencumbered Cash Balance June 30, 2010	Cash Receipts
Governmental type funds		
General Funds		
General Fund	\$ 1,276,507	\$ 770,294
Special Revenue Funds		
Employee Benefits Fund	20,353	77,601
	<u>\$ 1,296,860</u>	<u>\$ 847,895</u>

The accompanying notes are an integral part of this statement.

Statement 1

<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance June 30, 2011</u>	<u>Add Outstanding Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance June 30, 2011</u>
\$ 741,087	\$ 1,305,714	\$ 63,762	\$ 1,369,476
<u>71,727</u>	<u>26,227</u>	<u>3,769</u>	<u>29,996</u>
<u>\$ 812,814</u>	<u>\$ 1,331,941</u>	<u>\$ 67,531</u>	<u>\$ 1,399,472</u>

Composition of cash and investments:

Petty cash	\$ 20
Deposits at banks	
Checking accounts	284,956
Money market accounts	567,500
Certificates of deposit	<u>546,996</u>
	<u>\$ 1,399,472</u>

WELLINGTON RECREATION COMMISSION

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET

(Budgeted Funds Only)

For the Year Ended June 30, 2011

		Certified Budget
Governmental type funds		
General Funds		
General Fund	\$	1,969,503
Special Revenue Funds		
Employee Benefits Fund		73,750

The accompanying notes are an integral part of this statement.

Statement 2

<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 0	\$ 1,969,503	\$ 741,087	\$ 1,228,416
0	73,750	71,727	2,023

WELLINGTON RECREATION COMMISSION

Statement 3

GENERAL FUNDS GENERAL

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the Year Ended June 30, 2011

(With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

		2011		Variance
	2010	Actual	Budget	Favorable (Unfavorable)
Cash Receipts				
Ad valorem taxes	\$ 440,776	\$ 404,119	\$ 299,500	\$ 104,619
City of Wellington - Memorial Auditorium	20,000	20,000	20,000	0
Swimming Pool - Operating	58,678	65,159	96,000	(30,841)
Swimming Pool - City of Wellington	36,230	17,703	0	17,703
Concessions	58,554	66,848	60,000	6,848
Donations - Gifts	3,030	6,263	0	6,263
Program Revenue	154,661	151,467	152,000	(533)
Sponsorships	7,254	7,909	0	7,909
Interest	19,876	12,890	8,000	4,890
Rent, Refunds & Reimbursements	9,040	16,195	14,000	2,195
Other	1,917	1,741	8,000	(6,259)
Total Cash Receipts	\$ 810,016	\$ 770,294	\$ 657,500	\$ 112,794
Expenditures				
Administration	424,988	440,518	408,309	(32,209)
Program	179,303	184,340	290,500	106,160
Facility Maintenance	31,362	35,180	44,000	8,820
Capital Outlay	28,010	81,049	1,216,694	1,135,645
Transfer to employee benefits	0	0	10,000	10,000
Total Expenditures	\$ 663,663	\$ 741,087	\$ 1,969,503	\$ 1,228,416
Receipts over (under) expenditures	146,353	29,207		
Unencumbered cash, beginning of year	1,130,154	1,276,507		
Unencumbered cash, end of year	\$ 1,276,507	\$ 1,305,714		

The accompanying notes are an integral part of this statement.

WELLINGTON RECREATION COMMISSION

Statement 3

SPECIAL REVENUE FUNDS EMPLOYEE BENEFITS FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the Year Ended June 30, 2011

(With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

		2011		Variance
	2010	Actual	Budget	Favorable (Unfavorable)
Cash Receipts				
Local Sources				
Ad Valorem	\$ 95,000	\$ 77,601	\$ 63,500	\$ 14,101
Transfer from General	0	0	10,250	(10,250)
Total cash receipts	95,000	77,601	73,750	3,851
Expenditures				
Community Service				
Retirement	9,906	11,788	73,750	61,962
Social Security & Medicare	28,553	29,313	0	(29,313)
Unemployment	480	1,777	0	(1,777)
Health Insurance	35,708	28,849	0	(28,849)
Total expenditures	74,647	71,727	73,750	2,023
Receipts over (under) expenditures	20,353	5,874		
Unencumbered cash, beginning of year	0	20,353		
Unencumbered cash, end of year	\$ 20,353	\$ 26,227		

The accompanying notes are an integral part of this statement.

Wellington Recreation Commission

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Wellington Recreation Commission is a municipal corporation governed by an "elected" five-member board. The purpose of the Recreation Commission is to provide activities to the citizens in and around Wellington. These financial statements include all the accounts for which the Recreation Commission is considered to be primarily financially accountable.

B. Basis of Accounting

Statutory Basis of Accounting. The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and expenditure would be charged in the fund from which the transfer is made.

The Recreation Commission has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Recreation Commission to use the statutory basis of accounting.

Departure from Accounting Principles Generally Accepted in the United States of America. The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under generally accepted accounting principles, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings and equipment owned by the Recreation Commission are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes and compensated absences are not presented in the financial statements.

C. Fund Descriptions

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the Recreation Commission.

General Funds - to account for all unrestricted resources except those required to be accounted for in other funds.

Special Revenue Funds - to account for the proceeds of specific revenue sources (other than major capital projects) that are restricted by law or administrative action to expenditures for specific purposes.

Wellington Recreation Commission

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

D. Assets and Liabilities

1. Cash and Investments

Cash balances from all funds are combined and invested to the extent available in certificates of deposit and other authorized investments. Earnings from these investments are allocated to designated funds. All investments are stated at cost.

2. Compensated Absences

The Recreation Commission's policy regarding sick pay is to grant supervisory and full-time personnel sick leave at 1 day for each calendar month worked at the Recreation Commission, up to 60 days. Only the Superintendent is reimbursed for unused sick pay at the end of his employment. The Superintendent sick pay is paid out at full pay rate, up to a maximum of 90 days. Supervisory, full-time and permanent part-time personnel are eligible for paid vacation leave as follows.

<u>Years of Service</u>	<u>Days Allowed</u>
1	5
2-10	10
11-20	15
Over 20	20

All vacation leave that is not used by the end of the calendar year following the year in which it was earned will be forfeited. The Superintendent receives the amount of vacation days that are expressed within his contract. The Recreation Commission's liability for vacation and sick days as of June 30, 2011 was \$6,829.

E. Receipts and Expenditures

1. Ad Valorem Tax Revenue

The determination of assessed valuation and the collection of property taxes for all political subdivisions in the State of Kansas are the responsibility of the various counties. The County Appraiser annually determines assessed valuation and the County Clerk spreads the annual assessment on the tax rolls. One-half of the property taxes are due December 20 and distributed to the School District by January 20, then distributed to the Recreation Commission. The second half is due May 10 and distributed to the School District by June 5, then distributed to the Recreation Commission.

2. Reimbursements

The Recreation Commission records reimbursable expenditures (or expenses) in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparisons, the expenditures (or expenses) are properly offset by the reimbursements.

3. City of Wellington - Memorial Auditorium Revenue

The City of Wellington appropriates the Recreation Commission \$5,000 each fiscal quarter for maintenance of the Memorial Auditorium.

Wellington Recreation Commission

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

E. Receipts and Expenditures - continued

4. Swimming Pool - City of Wellington Revenue

The Swimming Pool - City of Wellington Revenue is the amount of reimbursement the Recreation Commission receives from the City for a portion of the net operating loss of the swimming pool. The Recreation Commission is responsible for \$10,000 of the loss each year, and anything over this amount is reimbursed to the Recreation Commission by the City.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund and special revenue fund (unless specifically exempted by statute). The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget.

- a) Preparation of the budget for the succeeding eighteen month period on or before August 1.
- b) Publication in a local newspaper on or before August 5 of the proposed budget and notice of public hearing on the budget.
- c) Public hearing on or before August 15, but at least ten days after publication of notice of hearing.
- d) Adoption of the final budget on or before August 25.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

The Recreation Commission prepares their budget and submits it to the Wellington Unified School District #353. The Recreation Commission's budget is then included in the District's budget and submitted to the county. Once the District receives the funds allocated to the Recreation Commission, the funds are remitted to the Recreation Commission. The Recreation Commission keeps an internal budget during the year to compare to actual.

Adjustment for Qualifying Budget Credits. Municipalities may use this line item for any budgeted fund. The adjustment would be a positive amount. All budget adjustments must be authorized by Kansas statutes. Examples include: expenditure of federal grant monies, reimbursements, gifts and donations, and receipts authorized by law to be spent as if they were reimbursed expenses.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the Recreation Commission for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budget expenditure authority lapses at year-end.

Wellington Recreation Commission

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - continued

B. Compliance with Kansas Statutes

References made herein to statutes are not intended as interpretations of law, but are offered for consideration of the Director of Accounts and Reports and interpretation by the legal representative of the Recreation Commission.

Management is aware that checks over two years old need to be voided or turned into the state if necessary, however, there are checks outstanding over two years old on the books.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits - K.S.A. 9-1401 establishes the depositories which may be used by the Recreation Commission. The statute requires banks eligible to hold the Recreation Commission's funds have a main branch bank in the county in which the Recreation Commission is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Recreation Commission has no other policies that would further limit interest rate risk.

Investment Policy - K.S.A. 12-1675 limits the Recreation Commission's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Recreation Commission has no investment policy that would further limit investment choices.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Recreation Commission's deposits may not be returned to it. State statutes require the Recreation Commission's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Recreation Commission did not have any designed "peak periods" for the current year. All deposits were legally secured at June 30, 2011.

At June 30, 2011, the Recreation Commission's carrying amount of deposits was \$1,236,631 and the bank balance was \$1,278,082. The bank balance was held by three banks resulting in a concentration of credit risk. Of the bank balance, \$602,135 was covered by federal depository insurance, and the remaining \$675,948 was collateralized by pledged securities held under joint custody receipts issued by third-party banks in the Recreation Commission's name. The third-party banks holding the pledged securities are independent of the pledging bank. The pledged securities are held under a tri-party custodial agreement signed by all three parties: the Recreation Commission, the pledging bank and the independent third-party banks holding the pledged securities.

IV. OTHER INFORMATION

A. Defined Contribution Pension Plan

Plan description. The District participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Wellington Recreation Commission

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

IV. OTHER INFORMATION - continued

A. Defined Contribution Pension Plan - continued

Funding Policy. K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. Kansas currently contributes 9.17% of covered payroll. These contribution requirements are established by KPERS and are periodically revised. Kansas' contributions to KPERS for all Kansas public school employees for the years ending June 30, 2011, 2010, and 2009, were \$253,834,044, \$248,468,186, and \$242,277,363, respectively, equal to the required contributions for each year.

B. Other Post Employment Benefits

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Recreation Commission makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the Recreation Commission under this program.

C. Risk Management

The Recreation Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Recreation Commission carries commercial insurance. Insurance claims for the 2011 did not exceed insurance coverage.

D. Other Employee Benefit Plans

Christmas Savings Program - Any full-time or year round part-time employee may join the Christmas Savings program upon hire date or during open enrollment on the second pay period in November each year. A minimum of \$10.00 deduction bi-weekly, plus additional amounts in \$5.00 increments may be withheld from their paychecks each month and paid to the employee the following year on the 20th of each November. The \$10.00 deduction will be matched by the Recreation Commission, as long as the employee stays in the program the full 26 pay periods.

Plan 403(b) - The Recreation Commission participates in a 403 (b) retirement plan in which they contribute 3% of an employees gross salary for all supervisory and full time employees. Employees may contribute up to 16% of their gross wages if they so choose.

E. Prior Period Adjustment

The June 30, 2010 unencumbered ending cash balance has been restated for the general fund to include previously unrecorded liabilities in the amount of \$11,118.35.

F. Subsequent Events

The entity evaluated subsequent events through January 13, 2012, the date the financial statements were available to be issued. The Recreation Commission's attorney indicated that the former Superintendent threatened litigation regarding his employment contract. The matter has been fully resolved by settlement.

G. Related Party

For fiscal year ended June 30, 2011, Wellington Recreation Commission contracted with Sunflower Screen for printing of T-shirts for various programs. The acting Director of Wellington Recreation Commission is the owner of Sunflower Screen. The Commission rotates between Sunflower Screen and another local printing business. Total expenses paid to Sunflower Screen for the year ended June 30, 2011 is \$9,698.